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Chairman: Ms. Wensley ..... (Australia)

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00-35679 (E)

The meeting was called to order at 10.05 a.m.

Agenda item 122: improving the financial situation of the United Nations (*continued*)

1. **Mr. Connor** (Under-Secretary-General for Management), reporting to the Committee on the financial situation of the United Nations, said that, in 1999 the Organization had taken a step back from the financial brink. At the end of the year, cash balances had been up while unpaid assessments and the Organization's debt to Member States for troops and contingent-owned equipment had declined. The year 2000, however, could see the progress that had been made in 1999 reversed.

2. The combined assessment level for 1999, which reflected the service requirements placed upon the Organization by its Member States, had been the lowest in six years. Assessments for the regular budget in 1999 had also been the lowest in recent years, while the level of peacekeeping assessments had nosed downward from the peak years of 1994 and 1995. However, since the establishment of the International Tribunals, the assessment levels for those bodies had quickly mounted each year. As a result of the Organization's new mandates, peacekeeping assessments were projected to move to much higher levels in 2000 and aggregate assessment levels to increase by more than $1 billion compared with 1998 and 1999.

3. The Organization would be better able to satisfy demands in 2000 because of its improved resource situation at the end of 1999. The aggregate available cash balance at the end of 1999 had risen to a high of $1,093 million, while aggregate unpaid assessments for the regular budget, peacekeeping and the Tribunals stood at $1,758 million, down from the previous year's $2,031 million. The level of debt to Member States for troops and contingent-owned equipment had also declined significantly.

4. The marked change in the Organization's year-end cash position became more evident when parts of the combined total were viewed separately. The biggest change in the cash level was the improvement in regular budget cash, mainly as a result of higher payments by the United States, whose total regular budget contribution in 1999 had totalled $452 million, or 149 per cent of its regular budget assessment. Payments by other Member States of their current year's assessments and arrears had totalled 103 per cent of their 1999 assessments. As a result, for the first time since 1995, no cross-borrowing from peacekeeping cash had been needed to cover a year-end deficit in regular budget cash.

5. Peacekeeping cash forecasts were built on assumptions about a myriad of variables that were hard to predict and constant reassessment of forecasts was usually unavoidable. At the end of 1999, the peacekeeping cash balance had been higher than projected, as a result of higher assessment levels and the high proportion of assessed amounts which Member States had paid. In view of the higher regular budget cash balance at the end of 1999 and the continuing pressure on peacekeeping cash to finance new or expanded missions, the Secretary-General had decided to transfer $58 million from regular budget cash to complete the authorized funding of the Peacekeeping Reserve Fund.

6. Unpaid assessment balances had been considerably lower at the end of 1999, by which time 126 Member States had paid in full their regular budget assessment for that year and all earlier years. The consistent payment in full of regular budget assessments was the prime measure of the Organization's financial stability. Of the total amount outstanding, Argentina, Brazil, the United States of America and Yugoslavia owed 88 per cent, while the remaining 12 per cent was owed by 59 other Member States.

7. The aggregate level of unpaid peacekeeping assessments as at 31 December 1999 had been $1,482 million, a decrease of $112 million from 1998. The arrears owed by the United States had increased by $19 million, while the Russian Federation had reduced its unpaid balance by $46 million. Taken together, all other Member States had reduced their unpaid amounts by $85 million.

8. While the level of unpaid assessments for the Tribunals had increased each year since their establishment, the growth in unpaid amounts had been roughly in proportion to the growth in the level of assessment.

9. One of the most sensitive indicators of the Organization's financial situation was the level of its debt to Member States. At the start of the year the Organization had owed $872 million to Member States, most of it for contingent-owned equipment with a

smaller amount for troops. By the end of the year the debt had been reduced by $72 million. The Secretary-General intended to continue the policy of paying out to Member States amounts equivalent to new obligations incurred and to pay down debt to Member States as arrears were received in the amounts received. In determining the amount owed to Member States for contingent-owned equipment, it was not unusual for individual Member States and the Secretariat to negotiate a revaluation of equipment. A significant revaluation, primarily affecting one Member State, had reduced debt owed to Member States by $147 million. Future liquidation of troops and equipment obligations was almost entirely dependent, however, on the collection of the arrears of peacekeeping assessments. Four Member States accounted for 90 per cent of those arrears.

10. Cash collections for the regular budget had started off well in 2000. The number of Member States paying on time and in full had surpassed the number of those that had done so in 1999. Regular budget cash flow was therefore expected to show dramatic improvements over previous years and, unlike in 1995, 1996 and 1997, when deficits had been more common, a positive year-end cash balance was projected. Those changes, however, were based on the important assumption that the United States of America would in 2000 pay regular budget contributions equivalent to its assessments for the year. The main deficit cash position would be in October and November 2000, as the Organization awaited the current year's contribution from the United States. That Member State should therefore accelerate its year-end regular payment so that there would be no need for any cross-borrowing from peacekeeping cash during the year 2000.

11. The year-end balance on the peacekeeping cash account was not expected to be as high in 2000 as it had been in 1999. Approximately $162 million of cash on hand in the peacekeeping account had been earmarked to pay in 2000 obligations to Members States that had been incurred in 1999. Cash balances would also be adversely affected by the increased mission costs associated with the military and formed police unit components that were quite prominent in several large new missions. On the operational side, however, the peacekeeping cash balance would be favourably affected by Member States' payments of the higher level of peacekeeping assessments that would be applicable in 2000.

12. The Organization intended to pay in the year 2000 a minimum of $465 million of its debt to Member States, thereby liquidating a high proportion of new obligations for troops and contingent-owned equipment. That payment would be $54 million less than the total of new obligations to be undertaken in 2000, since, in identifying a minimum amount to be paid out, the Secretary-General intended to be both conservative and prudent. The amount projected to be owed at the end of 2000 represented a major step downward from the peak year of 1995, when over $1.1 billion had been owed to Member States.

13. The Organization's improved financial situation could be undone, however, by the challenges of its new missions. The United Nations Interim Administration Mission in Kosovo (UNMIK), for example, was a complex and far-reaching undertaking whose civil administration component was funded from both assessed and voluntary contributions. While assessments had been issued in a timely fashion, payments had not been received on time. Indeed, as at 29 February 2000, less than half the total amount assessed had been paid. in contrast, Member States had been relatively prompt in paying pledges that had been made for voluntary contributions. By the beginning of February, 90 per cent of the $30 million pledged had been received.

14. Economic reconstruction in Kosovo was being managed by the European Union and was being financed through the consolidated budget for the year 2000, which was designed to cover the recurrent costs of public enterprises, municipalities and salaries for civil servants. Half of the revenues to fund those services were to be drawn from taxes and user fees and the other half from voluntary contributions. By the end of March, 73 per cent of the pledges made to the voluntary fund would have been paid.

15. The United Nations Transitional Administration in East Timor (UNTAET) was responsible for the administration of East Timor. An assessment of $200 million had been approved by the General Assembly at the end of December 1999 and a proposed budget of $386 million for the period from 1 December 1999 to 30 June 2000 was currently being reviewed by the Advisory Committee on Administrative and Budgetary Questions with a view to its consideration by the Fifth Committee. As at 21 March 2000, only $69 million had been received out of the $200 million assessed.

16. As in the case of UNMIK, trust funds had been established to support UNTAET, which was also dependent on voluntary funding for the East Timor consolidated budget that covered the salaries of civil servants as well as operational costs, which were estimated at $28 million for 2000. Out of the $32 million in voluntary funds that had been pledged, a total of $22 million had been paid thus far.

17. Kosovo and East Timor were major undertakings by the Organization. Reliance on a major component of voluntary contributions increased the difficulty of predicting the timing and extent of cash inflows and drained the efforts of key personnel to manage the Missions while keeping them afloat financially.

18. In summary, after an absence of several years, a degree of financial stability had been restored to activities funded from the regular budget, although there was less stability for activities funded from peacekeeping assessments. The uncertainty as to which States would contribute how much and when posed the greatest challenge for special missions that were funded largely from voluntary contributions. In a word, the task facing the Organization was not an easy one.

19. **Mr. Monteiro** (Portugal), speaking on behalf of the European Union, the associated countries Bulgaria, Cyprus, the Czech Republic, Hungary, Lithuania, Malta, Romania, Slovakia and Slovenia and, in addition, Liechtenstein, said he appreciated the fact that the number of Member States having paid their assessed contributions in full was higher than it had been a year earlier, even though some of those countries faced considerable economic hardship. The financial situation of the United Nations was of serious concern. Even though the Organization was no longer on the verge of financial collapse, arrears in contributions for the regular budget, peacekeeping and the International Tribunals had still exceeded $1.7 billion at the end of 1999; that amount was larger than the yearly regular budget. All Member States, particularly the major contributor, should meet their Charter obligation to pay their assessed contributions in full, on time and without conditions.

20. The recent establishment of UNTAET, UNMIK and the United Nations Organization Mission in the Democratic Republic of the Congo (MONUC), as well as the expansion of the United Nations Mission in Sierra Leone (UNAMSIL), underscored the need to put peacekeeping finances on a sound footing. The European Union reiterated its concern about the Organization's debt to troop-contributing countries, which was close to $1 billion, and about the potentially disastrous practice of cross-borrowing. He recalled the four elements of the set of provisions proposed by the European Union in 1996: payment of arrears; revision of the regular budget and peacekeeping scales; introduction of incentives and disincentives; and increased efficiency in the Organization's administration. In that connection he strongly supported the tighter application of Article 19, which was the sole disincentive currently envisaged under the Charter, and the ideas put forward by the Secretary-General on modernizing the United Nations.

21. Capacity to pay must remain the cornerstone of the scale of assessments for the regular budget. Accordingly, the scale should be based on accurate and updated information on gross national product (GNP); the statistical base period should be shortened and automatic annual recalculation should be introduced; the low per capita income adjustment should be reduced; and the debt-burden adjustment should be eliminated, since it further distorted the principle of capacity to pay and was an inappropriate and insufficient tool for addressing the debt problem. Collectively, the European Union was the largest contributor to the Organization; its total assessed contributions exceeded its share of world GNP by nearly 19 per cent. Its member States, together with the European Commission, provided over 60 per cent of all official development assistance, and the European Union played a leading role in the enhanced Heavily Indebted Poor Countries (HIPC) Debt Initiative.

22. The reform of the scale of assessments for peacekeeping operations was long overdue, since the current structure of that scale represented an even greater distortion of the principle of capacity to pay. In particular, the current group system must be revised to take into account the level of economic development of Member States. The Fifth Committee should address those issues at the second part of the resumed session. On 20 March the European Union's Council of Ministers had reaffirmed its commitment to the comprehensive reform of both the regular budget and peacekeeping scales in order to place United Nations finances on a sound, sustainable and equitable basis. The Council had also reaffirmed that capacity to pay should remain the basis for determining the Member States' contributions, and had emphasized that the

reordering of those contributions must be based on open negotiations aimed at distributing the financial burden more fairly and protecting the financial interests of the States members of the European Union.

23. **Mr. Fowler** (Canada), speaking on behalf of Australia, Canada and New Zealand, said he was pleased that, to date, over 70 Member States had paid their assessed contributions to the regular budget for 2000 in full and without conditions and that 43 of them, including Australia, Canada and New Zealand, had paid on time. However, he was concerned about the assessments that remained unpaid, particularly that of the largest contributor.

24. Despite recent developments, the basic state of the Organization's finances remained very uncertain owing to the lack of adequate and predictable sources of funding, yet the Organization was expected to address complex issues of international peace and security, as well as urgent economic, social and humanitarian problems. The overriding problem was the large amount of arrears accumulated by some Member States, including the United States of America, which owed 54 per cent of all monies due to the Organization as at the end of February 2000. As a result, the Organization's ability to play its role had been seriously hampered and its reimbursements to troop-contributing countries had been delayed. In its 2000 report (A/54/87), the Special Committee on Peacekeeping Operations had pointed out that such delays in reimbursement caused hardship to all troop- and equipment-contributing countries, especially developing countries.

25. Much more concrete action was needed to encourage the timely payment of contributions, including a review of the application of Article 19 of the Charter, which currently came into force only when Member States had fallen three years behind in their contributions, whereas the time limit specified in that Article was two years. Arrears should be redefined as amounts which remained unpaid 30 days after the issuance of each assessment letter, and should be calculated more frequently. In addition, the General Assembly should review the minimum amount required for the reinstatement of a vote lost under Article 19 with a view to specifying a more reasonable and realistic amount. With the increased predictability of regular budget assessments, the lowering of the floor and the introduction of annual peacekeeping budgets, most Members should be able to make adequate advance provision to meet their financial commitments to the United Nations. The additional sanctions proposed by some members of the Committee on Contributions and the High-level Working Group on the Financial Situation of the United Nations, including ineligibility for elections in the General Assembly and other organs and the imposition of interest, deserved serious and immediate study.

26. He welcomed the recent move by the United States of America to begin to pay off its debt to the Organization by paying $100 million in December 1999. However, that and future arrears payments by the United States were subject to significant conditionalities laid down in recent domestic legislation. Upon ratifying the Charter, the Member States had agreed unconditionally to bear the expenses of the Organization as apportioned by the General Assembly. Moreover, they had approved a financial regulation requiring that they should pay their contributions in full within 30 days of receiving their assessment notices, and had approved the Organization's scales of assessments and budgets by consensus. The legal obligation of Member States to pay their contributions in full, on time and without conditions was an unarguable fact.

27. The current negotiations on the scale of assessments should pay due regard to three principles: the sovereign equality of all Member States; the binding nature of the obligations assumed by the Members upon ratifying the Charter; and the Members' collective responsibility for bearing the expenses of the United Nations as apportioned by the General Assembly, broadly according to the principle of capacity to pay. The scale should undergo a comprehensive reform to improve its transparency, stability and simplicity. While suggestions that the Organization's dependence on a few Member States should be reduced were worthy of consideration, capacity to pay should remain the primary guideline. He urged all Members which had not yet paid their assessed contributions or arrears to do so as soon as possible, and encouraged the United States to pay its substantial debt in full and without conditions, since the imposition of conditions was inconsistent with that country's legal obligations and with its standing and influence in international affairs. A financially sound United Nations was more necessary than ever for maintaining international peace and security and for promoting development and progress.

28. **Mr. Mbanefo** (Nigeria), speaking on behalf of the Group of 77 and China, recalled that, in September 1999, the Ministers for Foreign Affairs of the Group of 77 and China had reiterated their concern about the Organization's chronic financial difficulties and had reaffirmed that the primary cause continued to be the failure of some developed countries, particularly the major contributor, to pay their assessed contributions. The current financial crisis should not be linked to the methodology for determining the scale of assessments. The political and other conditionalities imposed by some Member States on the payment of their contributions had severely impaired the Organization's ability to function effectively and to carry out its major activities.

29. The Member States had a legal obligation to bear the expenses of the Organization in accordance with the Charter. While sympathetic understanding should be extended to countries that were temporarily unable to meet their financial obligations owing to genuine economic difficulties, all others, particularly the major contributor, should pay their assessed contributions in full, on time and without conditions. The practice of cross-borrowing from peacekeeping funds, which had been necessitated by successive cash-flow deficits in the regular budget owing to the non-payment of contributions by some Member States, had caused undue financial difficulties for developing countries that provided troops and equipment for peacekeeping activities. The late and irregular reimbursement of the amounts owed to those countries had created a situation in which the latter were, in effect, subsidizing the Organization; that extraordinary practice could not be allowed to continue indefinitely.

30. Over the years the Organization's budget had experienced negative real growth, but Member States had failed to show similar discipline by refraining from deliberately defaulting on their payments to the Organization. The difficulties arising from the lack of financial liquidity for United Nations activities had clouded the atmosphere of confidence and cooperation on which the Organization's existence depended. In the interest of multilateralism, that situation must be redressed quickly. The issue of financing was at the core of efforts to guarantee the future of the United Nations, and would have a significant impact on the Organization's effectiveness in the twenty-first century. The withholding of such a large proportion of the Organization's budget could seriously damage the United Nations and its ability to carry out its mandates. The Group of 77 and China would continue to participate constructively in efforts to address the Organization's persistent financial problems, which must involve the prompt and unconditional payment of arrears and assessed contributions.

31. **Mr. Kumalo** (South Africa), speaking on behalf of the Movement of Non-Aligned Countries, said that the Movement supported the statement made by the representative of Nigeria on behalf of the Group of 77 and China. The Movement had previously expressed its concern at the deteriorating financial situation of the United Nations and had reiterated that the primary cause of the financial crisis continued to be the failure of certain developed countries to pay in full, without conditions and on time, their assessed contributions to the regular and peacekeeping budgets. It was also concerned by the practice of cross-borrowing for the regular budget from the Peacekeeping Reserve Fund, with the attendant delays in reimbursement to countries contributing troops and equipment. It urged all Member States to end that extraordinary practice, and called on all countries in arrears to pay their assessed contributions as soon as possible.

32. The Movement of Non-Aligned Countries reiterated that the expenses of peacekeeping operations were to be borne by Member States in accordance with the Charter of the United Nations and the existing special scale of assessments, and must therefore be paid in full, on time and without conditions. It also reaffirmed the importance of maintaining the principle of capacity to pay as a fundamental criterion in the apportionment of the expenses of the Organization. Any unilateral attempt at modifying the scale of assessments through conditionalities contrary to the principles of the United Nations was unacceptable; a reduction in the ceiling on contributions to the regular budget scale of assessments would distort the principle of capacity to pay and was also unacceptable.

33. **Mr. Holbrooke** (United States of America) said he was pleased to report to the Fifth Committee that he had just returned from a trip to Tokyo and Beijing during which both the Prime Minister of Japan and the President of China had indicated that they considered the United Nations more vital than ever at the dawn of the new century. That attitude on the part of two great nations — one, the second largest contributor to the Organization; the other, the world's most populous

nation and a permanent member of the Security Council — was very encouraging.

34. Although the state of the Organization's finances was less bleak than it had been in the recent past, it should not give rise to complacency; much remained to be done to enable the United Nations to meet new challenges. In that connection, he was pleased to report that the United States and the Russian Federation intended to collaborate closely in efforts to reform the Organization. He hoped that that joint effort by two founding Members whose former differences had often prevented the United Nations from achieving its full effectiveness would stimulate others to follow suit. While the United States and the Russian Federation would not present a specific plan, they hoped to help create a more stable financial structure for the United Nations, and invited other countries to join them in that effort.

35. The United States Government's basic view was that the United Nations was indispensable but flawed; its basic goal in that regard was to fix the problems in order to save the Organization. A world without the United Nations or with a paralysed United Nations would be far more costly to all countries and far more dangerous to peace and stability. When the United Nations worked effectively, as it had in East Timor, it demonstrated its potential and left the world hoping for more. Although the United States and many other countries sometimes acted outside the United Nations structure, experience had shown that collective action was preferable, both in peacekeeping — the core task for which the United Nations had been founded and on which it would be judged — and in other areas of the Organization's work, and especially for the specialized agencies, to which the United States contributed huge amounts of money each year.

36. Some of the defects of the United Nations system were on such a large scale that they seriously threatened the Organization's core goals, especially in the area of peacekeeping. If not corrected, they could threaten the future of the institution itself. The Member States' aspirations in the area of peacekeeping, especially in Africa, could be derailed by the current system for funding those activities, which was antiquated and inequitable and would no longer bear the burdens placed on it. Although he was mindful of the criticisms levelled against his Government for acting outside the framework of the Security Council, not paying its assessed share of peacekeeping costs and falling behind in other financial obligations to the Organization, he wished to stress that great strides had been made recently and that the President of the United States had signed into law a series of funding bills under which nearly $3 billion would be contributed to the United Nations system in 2000 and another $926 million would be set aside for the payment of arrears. Over $100 million had already been paid to reduce the country's arrears; the remainder was available for payment as efforts continued to implement additional reforms.

37. The United Nations seemed to go through cycle after cycle of self-examination, yet its reform efforts always left its critics unsatisfied because the reform proposals did not go far enough or, more importantly, were not sufficiently acted upon. For example, much of the Secretary-General's 1997 report on reform (A/51/950) had been ignored, including his far-sighted call for sunset provisions that would specify time limits for the review of new initiatives. What was needed was not another high-level panel to study the problems, but rather the implementation of a number of seemingly small changes which, over time, would significantly strengthen the United Nations.

38. Some of the many areas in which reform was urgently needed concerned the role of the Secretary-General and the United Nations Secretariat. In the modern world, the United Nations must be more flexible and creative and better managed than ever before. Accordingly, Member States should consider ways in which the Secretary-General could be further empowered and provided with additional management tools to coordinate all programmes and activities of the United Nations and the specialized agencies; to take resource management decisions involving the reallocation of personnel funds to deal with specific emergencies; to take programmatic decisions based on sound management principles, in keeping with the core values of the Organization; and to hold managers accountable for the programmes for which they were responsible. Sound management principles must be applied to the Organization's programmes and activities; those which were poorly managed or ill-conceived should not be allowed to take on a life of their own. Accordingly, the Secretariat should also be strengthened, *inter alia* through the creation of a more modern, mobile and flexible international civil service with a greater sense of its mission in the contemporary world.

39. The Fifth Committee's work on the programme budget for the biennium 2000-2001 had resulted in an admirable compromise between programme objectives and the necessary budgetary discipline. Although the scale of assessments for the regular budget generally provided a sound fiscal foundation, it should be updated and made flatter and more equitable. The substantive and rigorous debate on the issue seemed likely to lead to a consensus solution. However, the peacekeeping budget, which was projected to double to $2 billion in 2000 and to grow even larger the following year, was a different matter. Neither the management structure nor the financial system currently in place would support such an expansion in peacekeeping activities. As demand far outpaced the Organization's capacity, a decision must be taken as to whether the United Nations could continue to carry out peacekeeping operations effectively. The Department of Peacekeeping Operations needed more staff, strengthened planning capacity, a streamlined logistical structure and the ability to move resources to the field in good time. Peacekeeping was the Organization's core function, yet outdated ideological attitudes had prevented the adequate institutionalization of the management and funding of that critical activity.

40. The African countries stood to gain the most from that reform, since most of the coming challenges in peacekeeping would concern countries in Africa. The reform of peacekeeping financing was the greatest challenge facing the Organization and its Members. The current scale of assessments for peacekeeping operations had been negotiated over the course of eight days in 1973 to fund a single mission, and had not been expected to set a precedent. It assigned 98 per cent of the financial responsibility for peacekeeping to 30 Member States, and about 90 per cent to fewer than 10 States. The other 158 Members paid only token amounts, regardless of how much their economies had changed since 1973. The Organization's financial foundation must be broadened, though without foisting burdens on countries that could not afford them. Such a reform undoubtedly would not change the assessments of most Member States, but it would help ensure that the principle of capacity to pay was fully recognized and that the financial burden of peacekeeping was distributed equitably among all Members. He was pleased that the representative of Portugal, speaking on behalf of the European Union, and the representative of Canada, speaking on behalf of Australia, Canada and New Zealand, had also called for the reform of the scales of assessments for peacekeeping and the regular budget.

41. The United States was committed to working closely with the other Member States to ensure the effectiveness and full funding of United Nations peacekeeping activities. His personal efforts, as well as those of a number of delegations, to give members of the United States Congress a better understanding of the Organization's role had resulted in significant progress. However, the reform of the system for peacekeeping financing was crucial for the future of the United Nations.

42. **Mr. Lavrov** (Russian Federation) said that the critical financial situation of the United Nations was of deep concern to his delegation. The Organization's chronic cash shortage had necessitated borrowing from peacekeeping accounts to finance regular budget activities, with a negative effect on its ability to maintain international peace and security. At the same time, the difficulty of carrying out the reform of the United Nations was increased by the pressure of a permanent financial crisis. That crisis resulted from the lack of political will on the part of some Member States to meet their Charter obligation to support the Organization.

43. Strict observance by all Member States of the obligation to pay assessed contributions was the main prerequisite to the Organization's achieving financial stability and functioning normally. Despite its own economic difficulties, Russia had paid its current regular budget contribution in full and had reduced its outstanding arrears to one fifth of their 1994 level.

44. The unjust distribution among Members of expenditures for United Nations activities and especially for peacekeeping operations was another important reason for the current grave financial situation. It was high time to bring the regular budget and peacekeeping scales of assessment into line with current economic realities, and his delegation was also ready to consider proposals to reduce the Organization's dependence on a single contributor. Reform of the scale of assessments should be based on the principle of real capacity to pay; that principle was inseparable from member States' responsibility to fulfil their financial obligations without any conditions or demands. No reform could be considered genuine unless it included both payment of arrears and guarantees to avoid artificially created financial crises.

Any final decisions on reform must be taken only by consensus.

45. His delegation was ready to cooperate with the United States on the basis of those principles in efforts to resolve the financial problems of the Organization and enhance its effectiveness, especially in the maintenance of international peace and security in accordance with the Charter. While their views diverged on specific aspects of reform, the two countries had agreed to intensify their cooperation in the United Nations to secure the support of all Members for reform. That goal could only be attained through collective efforts on the basis of an overall balance of the interests of all countries.

46. **Mr. Wang Yingfan** (China) said that his delegation was concerned by the serious financial difficulties still facing the United Nations. China associated itself with the statement by the representative of Nigeria on behalf of the Group of 77 and China and agreed with the statement by the representative of South Africa on behalf of the Movement of Non-Aligned Countries.

47. Delay on the part of some Member States, especially the major contributor, in paying their assessed contributions to the regular and peacekeeping budgets was the main reason for the financial crisis that had long plagued the United Nations. The solution to that crisis lay in the Member States concerned displaying the political will to fulfil their Charter obligations and pay their arrears in full, on time and without conditions.

48. The main purpose of the proposal to reform the regular budget and peacekeeping scales of assessments appeared to be to lower the current ceilings on contributions. Currently the major contributor was assessed 25 per cent of the total regular budget, whereas its gross domestic product (GDP) constituted some 27 per cent of the world total and its economy had grown for nine years in succession. The current ceiling was thus already favourable to that country — a lower ceiling would constitute an unreasonable and unacceptable deviation from the principle of capacity to pay and would make the assessment of contributions even more unfair. Moreover the payment of arrears and the adjustment of the scale of assessments were two separate issues; the notion of lowering the ceiling as a precondition for the payment of arrears was unacceptable.

49. With regard to the idea that permanent members of the Security Council should not benefit from the low per capita income adjustment, he reiterated his delegation's position that no provision of the Charter conferred any special status on permanent members of the Security Council with regard to capacity to pay. Any attempt to base a country's status in United Nations affairs on the amount of money it paid ran counter to the spirit of the Charter and was totally unjustified.

50. His delegation did not oppose the appropriate adjustment of some elements of the scale of assessments in order to bring it more into conformity with the principle of capacity to pay. However, no such adjustment should entail measures that discriminated against developing countries or increase their burden.

51. As a permanent member of the Security Council, China was fully aware of its responsibilities with regard to international peace and security. It had fulfilled its financial obligations to the Organization over the years and had accepted additional peacekeeping assessments. With the further development of its economy, China was willing to make its proper contribution on the basis of the principle of capacity to pay. It once again called on all Member States to fulfil their financial obligations so as to enable the United Nations to better discharge its functions.

52. **Mr. Kolby** (Norway) said that his country gave top priority to strengthen the United Nations, and that all Member States shared responsibility for providing the money and resources the Organization needed to meet the growing demands being made on it. As one of the main contributors to the United Nations, with assessed and voluntary contributions amounting to nearly US$ 100 per capita, Norway believed that the Organization could not be expected to do more with less and that budget growth should be allowed for when necessary to fund priority activities and meet new challenges.

53. While the financial situation was somewhat more favourable that it had been in 1999, the possibility remained that the Secretariat could be forced to revert to the practice of cross-borrowing from peacekeeping funds. The Organization also still owed Member States some US$ 800 million in reimbursement for troops and equipment. Norway supported the European Union's proposal for comprehensive reform of the financial

system, including payment of arrears, revision of the regular budget and peacekeeping scales of assessments, and measures to increase the Organization's administrative efficiency.

54. **Mr. Lancry** (Israel) said that the growing agenda of the United Nations in meeting the demands of the global community in such areas as peacekeeping, sustainable development and improving the quality of life in the least developed countries required increasing resources and efficiency. Israel therefore supported comprehensive reform of the financing of the United Nations system including of the regular and peacekeeping scales of assessments. The objective of such reform should be to shift the burden from the United States, the current major contributor, to a larger number of States, at minimum cost to developing countries and countries with economies in transition, and with no change for the least developed countries. He noted the significant contribution of the United States to the United Nations since its inception.

55. **Mr. Hasmy** (Malaysia), speaking on behalf of the Association of South-East Asian Nations (ASEAN), said that ASEAN associated itself with the statements made on behalf of the Group of 77 and China and the Movement of Non-Aligned Countries. ASEAN noted with deep concern that little progress had been made in alleviating the Organization's precarious situation, and that the continuing financial problem was adversely affecting the Secretariat's capacity to implement mandated programmes and activities fully and effectively. Urgent and concrete action by member States was needed to save the Organization from being crippled permanently.

56. The primary cause of the financial crisis continued to be the failure of the major contributor to pay in full, on time and without conditions, its assessed contribution to the regular and peacekeeping budgets. ASEAN strongly rejected the notion that the continuing financial crisis faced by the United Nations had been caused by the scale of assessments. The only viable solution to the crisis lay in the early settlement of arrears and the timely payment of future assessments by all Member States; the States members of ASEAN had always endeavoured to pay their assessed contributions promptly, and expected others with greater capacity to pay to make more effort to do so. The practice of imposing conditionalities on the payment of assessed dues was unacceptable.

57. While noting that the Secretariat had ceased cross-borrowing from the peacekeeping budgets to the regular budget in 1999, ASEAN remained concerned that that practice had continued to cause delays in reimbursements to countries contributing troops and equipment, adding to the burden of troop-contributing countries from the developing world.

58. The Member States had made considerable progress in their efforts to reform the Organization in order to enable it to meet the challenges of the new millennium. ASEAN believed, however, that a starving Organization could not serve the Member States better, no matter what reforms might be contemplated or implemented. The time had come to resolve the critical financial situation.

59. **Mr. Suh Dae-won** (Republic of Korea) said that while the financial situation of the Organization had improved considerably since the previous year, the fact that arrears still totalled US$ 1.7 billion meant that the financial outlook remained depressing. His delegation welcomed the Organization's suspension of borrowing from peacekeeping accounts to sustain regular budget activities, but noted that the continued precariousness of its finances might force the Organization to resort to it again in the future. The persistent financial distress had adversely affected the implementation of mandated programmes and activities, and was hampering the reform efforts of the Secretary-General. It was also depriving the United Nations of the financial flexibility to fund new peacekeeping missions in a timely manner.

60. Regrettably, earlier efforts to resolve the Organization's financial difficulties had failed to produce tangible results. No lasting solution to the problem was possible without the prompt payment of arrears by Member States, and comprehensive reform of the current scale of assessments would be very difficult until those arrears issues had been resolved. While taking note of the recent efforts of the major contributor, his delegation looked forward to more positive developments in the near future. His delegation was willing to consider how to make the system of assessment fairer and more transparent, on the basis of capacity to pay.

61. **Mr. Satoh** (Japan) said that the financial difficulties currently faced by the Organization were largely caused by the arrears of some Member States. He noted with concern the fact that the arrears of 41 Member States, representing 22 per cent of the

membership, exceeded the amount specified in Article 19 of the Charter. All Member States had a solemn obligation to pay their assessed contributions and to eliminate all arrears without conditions.

62. For any Government to gain the support of its people for paying its assessed contributions, the scale of assessments must be made equitable and fair. Yet in the eyes of Japan, the present scale of assessments was far from being equitable and fair, and as a result its contributions had come under increasingly critical domestic scrutiny. It was difficult to understand why Japan's share of the budget exceeded 20 per cent, while its share of world GNP represented approximately 17 per cent. Such a large discrepancy was incompatible with the principle of capacity to pay.

63. Moreover, the fact that Japan's share of the budget was approximately seven per cent larger than the combined shares of the four permanent members of the Security Council other than the United States was unreasonable. The permanent members of the Security Council had special responsibilities within the United Nations; those responsibilities should be reflected in the level of their assessed contributions to the regular budget as well as in peacekeeping assessments. Japan supported the proposals made by the United States to revise the scale of peacekeeping assessments so as to base it on real capacity to pay.

64. **Mr. Aboul Gheit** (Egypt) said that his delegation supported the statements made by Nigeria on behalf of the Group of 77 and China and by South Africa on behalf of the Movement of Non-Aligned Countries. Referring to the Organization's ongoing financial crisis, he said that the United Nations should not have to rely on only a small number of States for financing the major part of the budget, as that might put it in the thrall of a particular party. Under Article 17 of the Charter, the expenses of the Organization were borne by the Members as apportioned by the General Assembly. That was in accordance with the principle of a Member State's capacity to pay. It was a binding commitment of all Member States to pay their assessed contributions in full, on time and without conditions. Furthermore, it was important that the countries which were in arrears in payment of their assessed contributions should liquidate the arrears in full in order to enable the United Nations to carry out its manifold duties. Better ways must be found to enable the Organization to ensure payment of the arrears with respect to peacekeeping operations, the regular budget and the Tribunals for Rwanda and Yugoslavia.

65. According to the figures for the end of February 2000, those arrears had totalled nearly $3.2 billion. Because of the arrears in payment by certain States of their assessed contributions for peacekeeping operations, many developing countries, including Egypt, had not received reimbursement of the cost of their contributions of troops and equipment. Those arrears, as at 1 March 2000, had amounted to $1 billion, comprising about $134 million for troop costs, $666 million for equipment and $200 million for disability and death benefits.

66. The Member States must engage without delay in joint consultations in order to ensure payment of arrears in both the peacekeeping and the regular budget, thereby enabling the United Nations to maintain its effectiveness. Egypt was ready to cooperate with other States to that end.

67. **Mr. Ben Mustapha** (Tunisia) said that the United Nations could not meet the expectations of Member States, especially with regard to international peace and security, unless it had reliable funding. The growing number of responsibilities entrusted to the Organization required Member States to provide it with the necessary resources, primarily by honouring their financial obligations to it in accordance with the Charter. He welcomed the ambitious process of administrative and financial reform undertaken by the United Nations in recent years, but noted that the process was far from complete. Much remained to be done, as reform entailed the fundamental modification of a system that had existed for more than half a century.

68. The scale of assessments was the subject of difficult negotiations within the Committee, but he was encouraged to note that the debate on it had been characterized by seriousness and objectivity. Further discussion should be founded on mutual comprehension among Member States and should concentrate on upholding the principle of capacity to pay; consideration of the impact, especially on developing countries, of any change in the scale methodology; and the need for a political decision to modify the ceiling.

69. **Mr. Sharma** (India) said that his delegation associated itself with the statements made by Nigeria on behalf of the Group of 77 and by South Africa on

behalf of the Movement of Non-Aligned Countries. The United Nations had begun the new millennium in a financial crisis, but not because it had been profligate: in real terms the past six budgets had gone from marginal to zero to negative growth, at a time when the largest economies had been going through a cycle of sustained growth. Moreover, he had not seen comparable criticism of the levels of spending in the secretariats of the other organizations to which the major contributors belonged, the Organization for Security and Cooperation in Europe (OSCE), the Organisation for Economic Cooperation and Development (OECD), the North Atlantic Treaty Organization (NATO) and the European Commission. It was unlikely that any of those organizations had experienced comparable financial turmoil.

70. It had been said for years that the financial situation would improve only if costs were cut. In an organization where so high a proportion of the budget was spent on staff salaries it was almost impossible to economize unless there were staff cuts, which the Organization had made, or cuts in salaries. The Noblemaire principle was already a fiction; no one believed that the United Nations offered its staff terms better than those of the highest paid civil service, even though the membership had collectively agreed that it should do so to ensure that the Organization got civil servants of the highest quality and that they were not influenced by any financial considerations. The jettisoning of the Noblemaire principle was among the main reasons for the concern at the politicization of the work of the Secretariat, which in the long term would create as many difficulties as the fear of bankruptcy. No one would let the United Nations go under, but a United Nations in permanent financial distress staffed with complaisant or financially pressured civil servants was an equal danger.

71. It had been stated that the immediate problem, the withholding of payments, would continue unless the ceiling for assessed contributions was lowered. He wished to be absolutely clear, however, that what was sacrosanct was not the ceiling, but the Charter. Openly negotiating a lower scale or ceiling was a right of all Member States, but a unilateral decision was excluded. Capacity to pay should continue to be the basis on which the scale of assessments should be drawn up, but the upper reaches of the scale should be made more democratic. One of the reasons that organizations like OSCE did not have the financial problems of the United Nations was that the scale was flatter — withholding of payments by one or two members could not cause the same amount of disturbance. A scale should be considered in which a fair number of countries would contribute at or very near the ceiling, which would not only be more equitable, but would reduce the budgetary vulnerability of the Organization.

72. The peacekeeping budget had again started to rise. India was among those countries which continued to be owed significant sums for troop and contingent-owned equipment. Nevertheless, it had continued to support the United Nations, and was currently the largest troop contributor. While India, along with other developing countries, had waited a very long time for payments, there must be a deadline by which it could expect the payments to be made in full. If such delays were allowed to continue, legislative and parliamentary support for peacekeeping operations would decline in democracies; the United Nations might therefore be able to turn only to these countries that were free of democratic and parliamentary processes.

73. His delegation still believed that if all Member States worked together to reform the United Nations in all its aspects, including the financial, change could come about that would make it an organization relevant to its membership and responsive to their needs. A good first step would be for all Members to pledge to pay their assessed contributions and arrears in full and without conditions, on a specific schedule.

74. **Mr. Fonseca** (Brazil) said that although the international financial crisis had resulted in reductions in public expenditure in Brazil, reducing the amount of resources available to pay assessments to international organizations, his Government had paid some of its arrears to the budget in December 1999. United Nations arrears owed to Brazil currently amounted to $18 million.

75. The programme budget for 2000-2001 approved in December 1999 reflected nominal growth that was close to zero, which in practical terms meant a reduction in the real amount of regular resources available. Administrative reform must therefore continue so as to improve efficiency, despite the lower level of resources. His delegation was open to suggestions from the Secretariat on how Member States could help to improve the financial situation. The budget for peacekeeping was another issue of concern, and results-based budgeting for peacekeeping

operations might be a useful tool in optimizing the financial resources allocated.

76. Brazil firmly believed that the financial difficulties of the United Nations were not caused by the scale methodology; the main reason was well known. His delegation wished to see a fair and predictable scale, clearly based on capacity to pay, without distortions that would unfairly burden developing countries; any refinements in methodology should aim at correcting such distortions. His delegation also saw no objective reason to lower the ceiling. As for peacekeeping operations, it believed there was no relationship between the methodology and the availability of resources. He once again underlined his delegation's view that the scale of assessments for peacekeeping operations should be institutionalized on the basis of the current criteria.

77. Finally, Brazil endorsed the statement made by Nigeria on behalf of the Group of 77 and China.

78. **Mr. Zahid** (Morocco) said that despite a modest improvement in the Organization's financial situation, the overall picture still gave cause for concern. Cross-borrowing from the peacekeeping budget resulted in considerable delays in reimbursements to troop-contributing countries and in the implementation of important United Nations activities. Member States were collectively responsible for the financing of the Organization's activities, based on each Member's capacity to pay, and for ensuring that the Organization's financial position was sound and stable. Acceptable solutions must therefore be found that took account of the particular situation of each Member State.

79. Since capacity to pay must remain the main criterion for determining the scale of assessments, account must be taken of factors that reduced a Member State's capacity to pay, such as level of development and level of external debt. It might also be necessary to review other criteria, such as the ceiling on assessments, which had shown their limitations. Any modification of the criteria, however, must be acceptable to all Member States and should not increase the burden on developing countries. The United Nations was now more necessary than at any time previously and it must be given the resources to enable it to meet the challenges of the new century.

80. **Mr. Hamidullah** (Bangladesh) said that his delegation shared the views expressed by Nigeria on behalf of the Group of 77 and China and by South Africa on behalf of the Movement of Non-Aligned Countries.

81. Member States were fully aware of the dangers of departing from strict financial discipline and such practices as cross-borrowing from the peacekeeping account to meet the needs of the regular budget, yet they had pushed the Organization into its current precarious financial situation. Agreeing on an acceptable scale of assessments was undoubtedly one of the most difficult exercises its Members faced. While the changing realities of the global economy could not be ignored, neither could the difficulties faced by a large number of developing Member States. Any new assessment must weigh those difficulties while remaining committed to the principles of the Charter, particularly capacity to pay. The whole issue must be approached pragmatically, with a broader understanding of each other's difficulties. Otherwise the atmosphere of confidence and cooperation within the Organization would suffer.

82. **Mr. Ahmad** (Pakistan) said that his delegation associated itself with the statement by Nigeria on behalf of the Group of 77 and China. It shared the concern at the perennial financial problems of the United Nations and their debilitating impact on its work. The majority of Members were of the view that financial stability and solvency were imperative to enable it to carry out its mandated programmes and peacekeeping operations. The political mandate of the United Nations must be coupled with effective funding based on realistic considerations rather than short-term assessments that would further weaken the struggling economies of the developing countries. Furthermore, such undesirable financial practices as cross-borrowing from peacekeeping funds caused difficulties for contributors, especially developing countries, and could not be allowed to continue indefinitely.

83. Unfortunately, the financial situation had not improved despite the major reforms undertaken at the fifty-second session. While reform was a continuous process, it must also be recognized that a cash-starved Organization could not be effective or efficient. There was no link between the financial situation and the scale methodology, however, and any future revision of the scale should not be predicated on reform.

84. Innovative and realistic approaches must be developed to break the current deadlock. Given the requisite political will based on shared commitment to the purposes and principles of the Charter, the issue could be reviewed in a purposeful manner. While the

ongoing process of budget reform continued, Member States must also continue to meet their financial obligations. The Secretariat, for its part, should continue to explore the efficient and optimal use of limited resources. His delegation expressed its full support for the Secretary-General in discharging his responsibilities as the administrative head of the Secretariat.

85. **Mr. Galuska** (Czech Republic) said that his delegation associated itself with the statement by Portugal on behalf of the European Union. His delegation supported a strong, democratic, transparent and caring United Nations which promoted cooperation on issues of interest to all nations.

86. The Czech Republic had always fulfilled its financial obligations to the Organization in full, on time and without conditions. It had made a contribution to the regular budget in 1999 of over $2 million, and even though its economy still faced some challenges from transition, it had increased its financial support to United Nations development activities by almost 30 per cent. In view of the continuing fragility of the Organization's financial situation, it had made partial payment of its assessed contribution for 2000 at the end of 1999.

87. The United Nations remained the only global organization that could tackle the common problems of the nations of the world, and therefore its authority should be strengthened. His delegation welcomed the achievements of the reform programme thus far, but much remained to be done. It supported speedy approval and implementation of the remaining reform proposals, but even the best blueprints were useless without the money to implement them.

88. **Mr. Vantsevich** (Belarus) said that his delegation welcomed the efforts of the Secretariat in providing detailed information to Members on the complex issue of the financial situation. One of the graphs provided had shown that the contributions of Belarus to peacekeeping operations in 1998 and 1999 had not changed, and he would like to clarify that point. The situation had improved dramatically after the adoption of General Assembly resolution 54/242 in December 1999 regarding his Government's contributions to peacekeeping operations. In January 2000 Belarus had paid all of its peacekeeping arrears for operations established since January 1996 and had made partial payments to both International Tribunals. It had also begun making payments on its arrears for peacekeeping operations established before January 1996. The difficulties with payments had arisen for reasons independent of Belarus, and his Government intended to pay its assessed contributions without conditions in future.

89. With regard to the regular budget, Belarus welcomed the increase in the number of countries which had paid their contributions in full. Belarus had been among the first eight countries to make its contribution for 2000. His delegation understood the importance of reform of the scale methodology and was ready to contribute constructively to the discussions on that issue.

90. **Ms. Buergo Rodríguez** (Cuba) said that her delegation fully supported the statements made on behalf of the Group of 77 and China and the Movement of Non-Aligned Countries. Once again the Committee had heard a report on the precarious financial situation of the Organization. Her delegation was concerned at how that ongoing situation had weakened the capacity of the Secretariat to carry out mandates as a result of the stance of the major contributor, which had imposed unilateral conditions on its Charter obligations, a stance reflected in the statement made earlier by the representative of the United States. Her delegation found it unacceptable to hear political conditions rather than substantive proposals. There was no link between the scale of assessments and the financial situation of the United Nations, and insistence on creating such a link would make it more difficult to find a solution.

91. Cuba was committed to the work of the United Nations, and had demonstrated that commitment by reducing its arrears. It had made its contribution to the regular budget at the beginning of the year despite the difficulties caused by the United States embargo.

92. Without political will no solution could be found to the problem. Her delegation appealed to all Member States, in particular to the main contributor, to pay their contributions in full, on time and without conditions, to make it possible for the United Nations to fulfil the role the Members themselves had assigned to it.

93. Finally, it was customary to receive information on the financial situation on the day on which the matter was to be discussed, but it would be useful for delegations to receive such information before hand in order to ensure that the discussions were a true dialogue rather than a mechanical exercise.

The meeting rose at 1.10 p.m.